

Message Text

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52

ACTION XMB-07

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P 011012 Z MAY 73

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TO SECSTATE WASHDC 315

INFO AMEMBASSY BEIRUT

C O N F I D E N T I A L BAGHDAD 241

EO 11652: GDS

TAGS: BGEN IZ

SUBJECT: IRAQ' S STATUS WITH EXIM BANK

REF: STATE 075381

1. USINT FAVORS EXIMBANK BECOMING INVOLVED IN IRAQ, BUT IT IS ESSENTIAL THAT ALL CONCERNED ARE AWARE OF DIFFICULTIES LIKELY TO BE ENCOUNTERED AND FRUSTRATIONS TO BE BORNE. OPPORTUNITIES SHOULD HOWEVER MAKE THE RISKS WORTH TAKING. MY COMMENTS ON POINTS RAISED IN REFTEL FOLLOW.

2. IRAQ S CREDIT WORTHINESS IS PRESUMABLY NOT BEING QUESTIONED. GOI ESTIMATES THAT OIL REVENUES WILL REACH TWO BILLION DOLLARS IN 1975 AND TO BEST OF MY KNOWLEDGE IRAQ HAS REGULARLY MET ITS PAYMENTS ON LOANS FROM EXIMBANK IBRD, AND PRIVATE US BANKS.

3. BANKING SECTOR REMAINS RELATIVELY UNPOLITICIZED AND ENJOYS GOOD PROFESSIONAL REPUTATION. THIS AUGURS WELL FOR IRAQ' S CAPABILITY TO MEET EXIMBANKS FINANCIAL AND LEGAL REQUIREMENTS, AT LEAST ON TECHNICAL LEVEL.

4. WHILE THERE IS RISK IN GETTING INVOLVED IN A MAJOR PROJECT AS FIRST STEP, DEALING WITH EXIMBANK WOULD BE IMPORTANT POLITICAL STEP WHICH BAATH REGIME WOULD PROBABLY NOT BE WILLING TO TAKE
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FOR SMALL PROJECT. IN FACT A LARGE PROJECT WITH EXIMBANK FINANCING WOULD REPRESENT SUCH A POLITICAL REVERSAL BY THIS REGIME, THAT I QUESTION (A) WHETHER INOC IS SERIOUS IN PURSUING CONTACTS WITH US FIRMS (OR ONLY WISHES, FOR EXAMPLE, TO USE INFORMATION OBTAINED IN BARGAINING WITH OTHERS); AND (B) WHETHER INOC HAS OBTAINED POLITICAL APPROVAL FOR SEEKING USG FINANCING. SINCE WE PROBABLY CAN NOT ANSWER THESE QUESTIONS WITH CERTAINTY AT THIS TIME, WE SHOULD PROCEED ON BASIS THAT ANSWERS ARE AFFIRMATIVE, BUT NOT BE UNDULY SURPRISED IF THEY TURN OUT TO HAVE BEEN IN NEGATIVE AND WHOLE THING FALLS THROUGH.

5. I AM UNABLE TO PROVIDE ANY DETAILS ON BROWN AND ROOT PROJECT BEYOND FACT THAT INOC ANXIOUS TO PROCEED WITH CONSTRUCTION OF ITS OWN DEEP SEA TERMINAL FOR EXPANSION OF NORTH RUMAILA PRODUCTION. IT IS BELIEVED THAT TERMINAL WOULD BE LOCATED IN WHAT ARE NOW KUWAITI TERRITORIAL WATERS AND THIS COULD BE SERIOUS COMPLICATING FACTOR.

6. ASSUME THAT WHEN AND IF A PRELIMINARY COMMITMENT APPROVED FOR PROJECT IN IRAQ, EXIMBANK WOULD HAVE TO DEAL DIRECTLY WITH INOC OR OTHER IRAQI ENTITY. AT THIS POINT, MANY DISPUTES COULD DEVELOP OVER SUPPLYING OF FINANCIAL DATA, GUARANTEE OF IRAQI GOVERNMENT, AND OTHER REQUIREMENTS THAT GOI LIKELY TO VIEW AS INFRINGEMENTS ON ITS SOVEREIGNTY. THESE PROBLEMS SHOULD NOT PROVE INSURMOUNTABLE IF GOI SERIOUS ABOUT WANTING US SUPPLIERS AND FINANCING.

7. LARGE POTENTIAL MARKET IN IRAQ AND KEEN INTEREST OF NUMEROUS US FIRMS TO ENTER THIS MARKET, PARTICULARLY PETROLEUM SECTOR, SHOULD ENCOURAGE EXIMBANK TO ADOPT HIGHLY FLEXIBLE POLICY UNTIL SERIOUSNESS OF GOI INTEREST IN USG FINANCING HAS BEEN TESTED.

8. STATE 080349 JUST RECEIVED THROUGH COMMERCIAL CHANNELS. STATE 077608 NOT YET RECEIVED. EXIM BANK DECISION TO DENY REQUEST AT THIS EARLY STAGE BECAUSE INOC MAY BE USING INTER-MEDIARY SEEMS, FROM THIS DISTANCE, TO BE UNDULY RIGID.
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